



Senate

General Assembly

File No. 478

January Session, 2009

Substitute Senate Bill No. 1131

Senate, April 6, 2009

The Committee on Energy and Technology reported through SEN. FONFARA, J. of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING RENEWABLE ENERGY AND WEATHERIZATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective from passage*) (a) On and after the effective
- 2 date of this section, an electric distribution company may offer and
- 3 implement a green community pilot program within one municipality
- 4 within its service territory. Such pilot program shall be the coordinated
- 5 effort among an electric distribution company, a municipality and
- 6 customers residing in the municipality with the goal of demonstrating
- 7 the effectiveness of intensive development and deployment of state-of-
- 8 the-art energy efficiency, load management and control and renewable
- 9 technologies. The program may include, but not be limited to,
- 10 development, promotion and installation of intensive, cost-effective
- 11 energy efficiency measures and equipment, fuel cells, thermal storage,
- 12 controls and monitoring equipment, renewable or emergency
- 13 generation, combined heat and power systems, light-emitting diode
- 14 street lights, smart appliances, electric vehicle charging infrastructure,

15 distribution line loss reduction, assessment and installation of river
16 turbines, advanced metering infrastructure or other relevant energy
17 technologies. The program may provide for enhanced financial
18 incentives to customers within the selected municipality for energy
19 technologies and may include up to one hundred per cent financing of
20 such technologies.

21 (b) An electric distribution company shall select one municipality as
22 a site for such pilot program within its service territory and shall
23 collaborate with such municipality on the design of the program. The
24 pilot municipality shall be selected based on several factors, including
25 customer base, municipal energy usage, circumstances that would
26 effectively demonstrate the pilot program technologies and support of
27 the municipality.

28 (c) Arrangements between a municipality or a customer within such
29 municipality and an electric distribution company may include
30 provisions for payments from such company based on a formula to
31 calculate monthly charges that provides for full recovery of any
32 incurred costs, including a return on investment based on the electric
33 distribution company's return on equity as approved by the
34 department in the electric distribution company's last rate case, based
35 on cost-of-service principles pursuant to section 16-19e of the general
36 statutes. Such formula and customer-specific charges shall be included
37 in each agreement. Projects under the pilot program shall be eligible
38 for any state or federal incentives, grants or credits, including, but not
39 limited to, those available under programs administered by the
40 renewable energy investments board or energy conservation
41 management board and any proceeds realized from such sources shall
42 be used to offset costs for projects undertaken pursuant to a green
43 community pilot program. Monthly charges may be included in such
44 customer's electric bills or charged separately. The net costs of such
45 pilot program shall be funded through the electric company's systems
46 benefits charge.

47 (d) Notwithstanding other provisions of the general statutes, a

48 municipal customer may negotiate and enter into arrangements with
49 an electric distribution company if such arrangements are pursuant to
50 a green community pilot program.

51 (e) Once a municipality has been selected for participation in a
52 green community pilot program, such municipality and the electric
53 distribution company shall jointly establish a development and
54 deployment plan and such company shall submit such plan to the
55 Department of Public Utility Control for review. The department shall
56 approve such pilot program not later than sixty days after its submittal
57 if such pilot program is consistent with the provisions of this section,
58 provided such program shall not result in a net annual cost to be
59 recovered in the systems benefits charge that exceeds one mill per
60 kilowatt-hour.

61 Sec. 2. (NEW) (*Effective July 1, 2009*) (a) There is established an
62 energy efficiency improvement program that shall be the coordinated
63 effort of a municipal or state electric customer and an electric
64 distribution company to provide for the development, installation and
65 recovery of energy efficiency equipment and systems at municipal or
66 state facilities. A not-for-profit hospital may participate in this
67 program at the discretion of and under terms agreeable to an electric
68 distribution company.

69 (b) Notwithstanding section 16-245m of the general statutes, an
70 electric distribution company may offer an energy efficiency
71 improvement program to its municipal or state customers to improve
72 the energy usage profile at such customers' facilities. Such program
73 shall establish arrangements between an electric distribution company
74 and a municipal or state customer in which the electric distribution
75 company develops projects designed to provide energy savings from
76 all fuel sources and other benefits for such facilities in the service
77 territory of said electric distribution company and repayment of the
78 entire cost of the project to the electric distribution company by the
79 specific municipal or state customer undertaking the project through a
80 customer-specific facilities charge. The provisions of section 16-43 of

81 the general statutes shall not apply to said energy efficiency
82 improvement program.

83 (c) The energy efficiency improvement program shall include, but
84 not be limited to, developing and installing cost-effective energy
85 efficiency measures and equipment, fuel cells, thermal storage, high
86 efficiency gas and oil boilers and burners, controls and monitoring
87 equipment, renewable or emergency generation, combined heat and
88 power systems and other relevant systems. An electric distribution
89 company shall use contractors and installers who provide services in
90 its service territory to assist in the development and installation of
91 technologies at such facilities to the extent practicable and economical.

92 (d) Arrangements between a municipal or state facility and an
93 electric distribution company shall provide for payments from such
94 facility based on a formula to calculate monthly charges that provides
95 for full recovery of any incurred costs, including a return on
96 investment based on the electric distribution company's return on
97 equity as approved by the department in the electric distribution
98 company's last rate case, based on cost-of-service principles pursuant
99 to section 16-19e of the general statutes. Such formula and facility-
100 specific charges shall be included in each agreement. Monthly charges
101 may be designed in a manner that provides for levelized repayment.
102 Such projects shall be eligible for any state or federal incentives, grants
103 or credits, including, but not limited to, those available under
104 programs administered by the Renewable Energy Investments Board,
105 and any proceeds realized from such sources shall be used to offset
106 costs for projects undertaken pursuant to the energy efficiency
107 improvement program. Monthly charges may be included in such
108 customer's electric bills or charged separately.

109 (e) If an electric distribution company seeks to include monthly
110 charges in customer electric bills pursuant to subsection (d) of this
111 section, it may seek approval of a rate or tariff to permit such charge
112 and the Department of Public Utility Control shall approve such rate
113 or tariff not later than sixty days after the date of such request.

114 (f) Arrangements between an electric distribution company and a
115 municipal or state customer may be of a duration not to exceed ten
116 years, but if the project includes the installation of renewable,
117 emergency or combined heat and power generation, building envelope
118 improvements, thermal storage or cooling equipment, such
119 arrangement may be for a period of up to twenty years.

120 (g) An electric distribution company that implements an energy
121 efficiency improvement program pursuant to this section shall
122 determine the duration and level of annual funding for such program
123 provided such funding shall not exceed one per cent of its total annual
124 revenues for the last calendar year as reported to the department. Such
125 company may terminate the program at any time, provided
126 arrangements in place shall continue to be enforced.

127 (h) Notwithstanding any provisions of the general statutes,
128 municipal or state customers may negotiate and enter into agreements
129 with an electric distribution company in which service territory such
130 facility resides if such arrangements are pursuant to an energy
131 efficiency improvement program developed pursuant to this section.

132 Sec. 3. Subdivision (44) of subsection (a) of section 16-1 of the
133 general statutes is repealed and the following is substituted in lieu
134 thereof (*Effective July 1, 2009*):

135 (44) "Class III source" means the electricity output from combined
136 heat and power systems with an annual operating efficiency level of no
137 less than fifty per cent that are part of customer-side distributed
138 resources developed at commercial and industrial facilities in this state
139 on or after January 1, 2006, a waste heat recovery system installed on
140 or after April 1, 2007, that produces electrical or thermal energy by
141 capturing preexisting waste heat or pressure from industrial or
142 commercial processes, or the electricity savings created in this state
143 from conservation and load management programs begun on or after
144 January 1, 2006.

145 Sec. 4. (NEW) (*Effective from passage*) (a) On and after January 1,

146 2010, electric distribution and electric companies shall implement a
147 tiered distribution charge for residential customers. The first of such
148 tiers shall represent the base average consumption with tiers
149 increasing in blocks of kilowatt-hours as determined by the electric
150 distribution companies. Residential electric space heating tariff
151 customers shall be exempt from such tiered charges established
152 pursuant to this section.

153 (b) Any additional money generated from the tiered distribution
154 charge implemented pursuant to subsection (a) of this section shall be
155 transferred to the Conservation and Load Management Fund to be
156 used to install solar thermal domestic hot water systems.

157 Sec. 5. (NEW) (*Effective from passage*) (a) The Office of Policy and
158 Management shall develop a plan to use any federal economic
159 stimulus funds available pursuant to the American Recovery and
160 Reinvestment Act of 2009 to develop a weatherization program for
161 residents who heat their homes with oil or gas and do not qualify for
162 other weatherization programs.

163 (b) On or before July 1, 2009, the Office of Policy and Management
164 shall report, in accordance with the provisions of section 11-4a of the
165 general statutes, to the joint standing committee of the General
166 Assembly having cognizance of matters relating to energy with regard
167 to the program developed pursuant to subsection (a) of this section.

168 Sec. 6. Subsection (b) of section 16-245a of the general statutes is
169 repealed and the following is substituted in lieu thereof (*Effective from*
170 *passage*):

171 (b) An electric supplier or electric distribution company may satisfy
172 the requirements of this section (1) by purchasing certificates issued by
173 the New England Power Pool Generation Information System,
174 provided the certificates are for (A) energy produced by a generating
175 unit using Class I or Class II renewable energy sources and the
176 generating unit is located in the jurisdiction of the regional
177 independent system operator, or (B) energy imported into the control

178 area of the regional independent system operator pursuant to New
 179 England Power Pool Generation Information System Rule 2.7(c), as in
 180 effect on January 1, 2006; (2) for those renewable energy certificates
 181 under contract to serve end-use customers in the state on or before
 182 October 1, 2006, by participating in a renewable energy trading
 183 program within said jurisdictions as approved by the Department of
 184 Public Utility Control; or (3) by purchasing eligible renewable
 185 electricity and associated attributes from [residential] customers who
 186 are net producers.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
Sec. 2	<i>July 1, 2009</i>	New section
Sec. 3	<i>July 1, 2009</i>	16-1(a)(44)
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	16-245a(b)

Statement of Legislative Commissioners:

In section 1, in the last sentence in (c) and the first sentence in (e) "such" was substituted for "said" for conformity with drafting conventions. In section 1(e) in the last sentence "not later than sixty days after its" was substituted for "within sixty days of" for clarity. In section 2(b), in the second sentence "develops" was substituted for "shall develop" for conformity with drafting conventions. In section 2(e) "not later than sixty days after the date" was substituted for "within sixty days" for clarity.

ET *Joint Favorable Subst.-LCO*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 10 \$	FY 11 \$
Various	All Funds - Savings	Potential	Potential
Energy Conservation and Load Management Fund	Energy Efficiency Fund - Revenue Gain	Potential	Potential

Municipal Impact:

Municipalities	Effect	FY 10 \$	FY 11 \$
Various Municipalities	Savings	Potential	Potential

Explanation

This bill allows each electric distribution company to implement a green community pilot program in one municipality in its service territory. This bill also establishes an energy efficiency improvement program between municipal or state electric customers and an electric distribution company. These programs could result in a potential savings to the state or municipality chosen to be a part of the program.

This bill requires electric companies to implement a tiered distribution charge for residential customers. The bill requires that any additional money produced by this system be transferred to the Conservation and Load Management Fund to be used to install solar thermal hot water systems.

It is anticipated that the Office of Policy and Management can develop a plan to use federal stimulus funds to develop a weatherization program as prescribed by the bill within the agency's normal budgetary resources.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 1131*****AN ACT CONCERNING RENEWABLE ENERGY AND WEATHERIZATION.*****SUMMARY:**

This bill allows each electric company to implement a green community pilot program in one municipality in its service territory. The company must select the municipality and collaborate with it in designing the program. The pilot municipality must be selected based on several factors, including its level of support, energy usage, customer base (which the bill does not define), and the circumstances that would effectively demonstrate the pilot program technologies.

The bill establishes an energy efficiency improvement program to develop, install, and recover the costs of energy efficiency equipment at municipal or state facilities. A nonprofit hospital may participate in this program at the electric company's discretion and under its terms.

For both programs, the bill entitles the electric company to recover all of its incurred costs. This includes a return on its investment with the return on equity (the part of the investment that comes from shareholders as distinct from debt) based on the rate of return the Department of Public Utility Control (DPUC) in the company's last rate case.

The bill requires electric companies, starting January 1, 2010, to implement a tiered distribution charge for residential customers in which the charge varies with the amount of electricity used by the customer. The electric companies must determine the tiers. The tiered charge does not apply to customers who use electricity for space heating. The bill requires that any additional money produced by this system be transferred to the Conservation and Load Management

Fund (commonly known as the Electric Efficiency Fund) to be used to install solar thermal hot water systems.

The bill requires the Office of Policy and Management (OPM) to develop a plan to use federal stimulus funds to develop a weatherization program for residents who heat their homes with oil or gas and do not qualify for other weatherization programs. By July 1, 2009, OPM must report to the Energy and Technology Committee on the program.

By law, electric companies and competitive electric suppliers must obtain part of their power from renewable resources under a renewable portfolio standard (RPS). They must get part of this power from class III resources, which include cogeneration (combined heat and power) systems that operate at an efficiency level of at least 50%. The bill specifies that the efficiency level is measured on an annual basis.

By law, electric companies and competitive suppliers must buy power their customers produce from certain renewable resources and pay the customer their retail rate for the power. The bill counts the power purchased from the company's or supplier's non-residential customers towards its RPS obligation. This provision already applies to the power bought from residential customers.

EFFECTIVE DATE: July 1, 2009 for the energy efficiency improvement program and the change to the class III resource definition; upon passage for the remaining provisions.

GREEN COMMUNITY PILOT PROGRAM

The program must involve the company, municipality, and local customers in demonstrating the effectiveness of state-of-the-art energy efficiency, load management, and control and renewable technologies. It may include, among other things, the development, promotion and installation of:

1. cost-effective efficiency measures and equipment,

2. fuel cells,
3. thermal storage,
4. controls and monitoring equipment,
5. renewable or emergency generation,
6. cogeneration systems,
7. light-emitting diode street lights,
8. smart appliances,
9. electric vehicle charging infrastructure,
10. advanced metering infrastructure, or
11. other relevant energy technologies. The program may provide for enhanced financial incentives to customers, including up to 100% financing of the technologies.

The municipality and electric company may negotiate and enter into an arrangement under the program, notwithstanding other provisions of the law. Arrangements between the company and a municipality or other customer must provide for payments from the company based on a formula to calculate monthly charges. The formula must provides for full recovery of any incurred costs, including a return on investment based on that allowed by DPUC in the company's last rate case, using standard utility ratemaking principals. The formula and facility-specific charges must be included in each agreement, and monthly charges may be included in the customer's electric bill or charged separately. The projects are eligible for any state or federal incentives, grants or credits, including those available under Clean Energy Fund programs, and any proceeds realized from these sources must be used to offset costs for projects undertaken under the program. The net costs of the program are paid from the systems benefits charge (SBC), a charge on electric bills used to pay for various policy costs.

The municipality and company must develop a plan for the program and submit it to DPUC for its approval. DPUC must approve the program within 60 days of submittal if the program is consistent with the bill and increases the SBC by no more than one mill (one tenth of a cent) per kilowatt-hour.

ENERGY EFFICIENCY IMPROVEMENT PROGRAM

The program must include developing and installing cost-effective energy efficiency measures and equipment, fuel cells, thermal storage, high efficiency gas and oil boilers and burners, controls and monitoring equipment, renewable or emergency generation, cogeneration systems, and other relevant systems. It must establish arrangements between an electric company and a municipal or state customer in which the company develops projects designed to provide energy savings from all fuel sources and other benefits for its facilities. The company must use contractors and installers who provide services in its service territory to help develop and install the technologies at these facilities to the extent practicable and economical.

The arrangement for most measures can be up to 10 years but up to 20 years for renewable, emergency, or cogeneration projects; building envelope improvements (e.g., insulating attics); thermal storage; or cooling equipment. Arrangements between the company and a municipality or the state must provide for payments from the company based on a formula to calculate monthly charges that provides for full recovery of any incurred costs, including a return on investment based on that allowed by DPUC in the company's last rate case, using standard utility ratemaking principals. The formula and facility-specific charges must be included in each agreement and monthly charges may be included in the customer's electric bill or charged separately.

If a company seeks to include monthly charges in a customer's bill, it may seek approval of a rate or tariff from DPUC. DPUC must approve the rate or tariff within 60 days from the request. The projects are eligible for any state or federal incentives, grants, or credits,

including those available under Clean Energy Fund programs, and any proceeds realized from these sources must be used to offset costs for projects undertaken under the program.

A company that implements this program must determine the duration and level of annual funding for its program, which may not exceed 1% of its total annual revenue for the last calendar year as reported to DPUC. The company may terminate the program at any time, but arrangements in place must continue to be enforced.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable

Yea 21 Nay 0 (03/19/2009)